

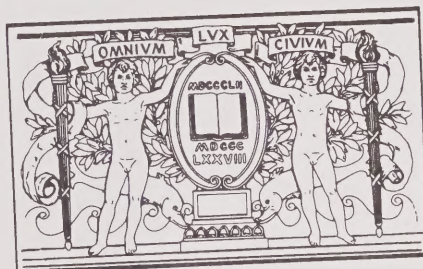
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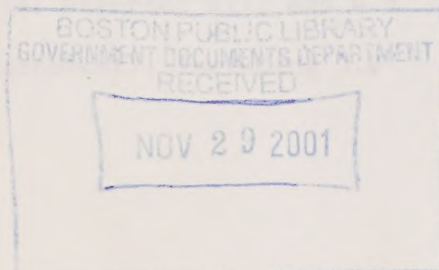
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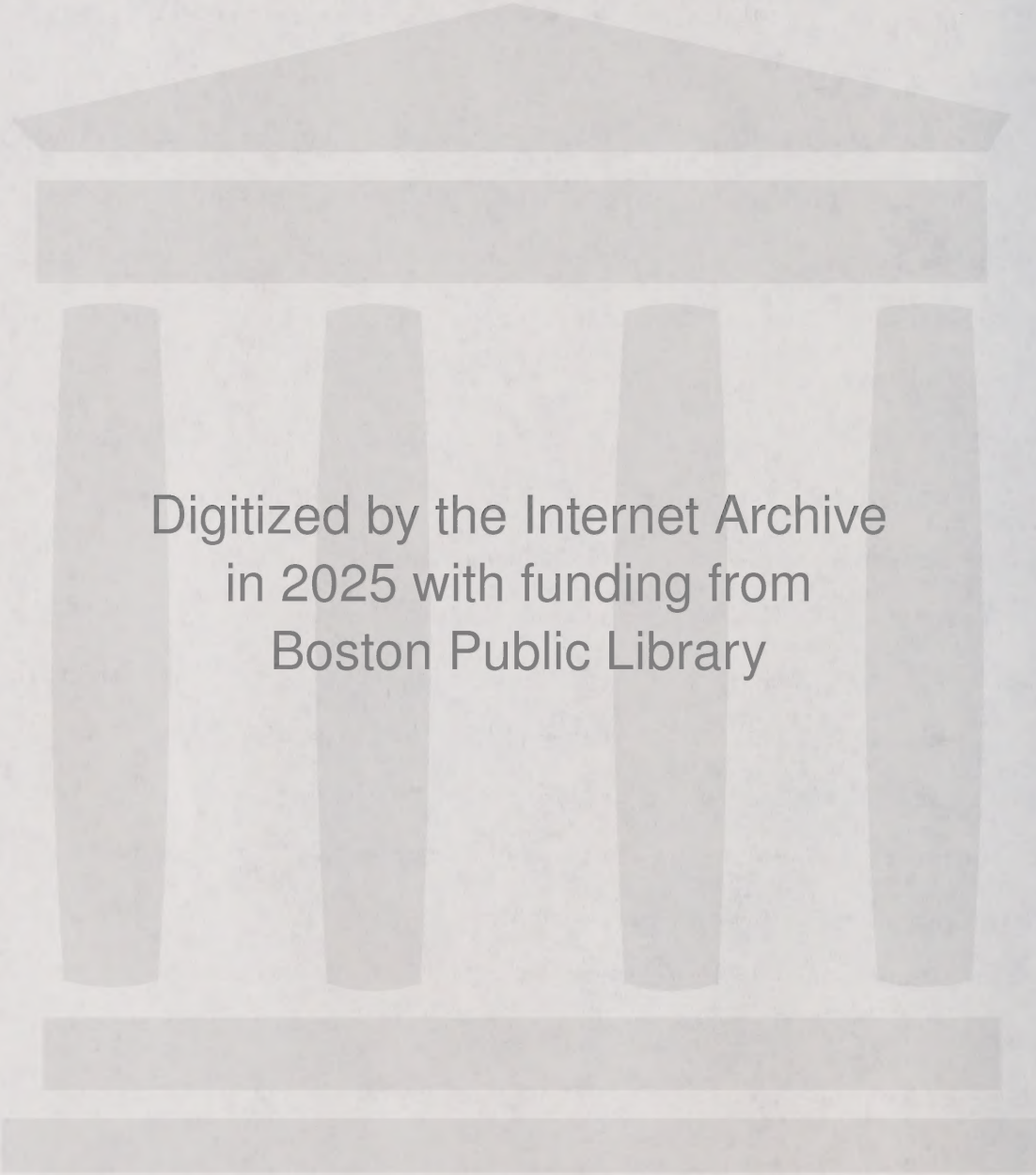
Boston's Office Vacancy Rates,
Recent and Projected;
1985 & 1986, Actual, 1987-1990 Projected

Record levels of office development and space absorption, accompanied by declining vacancy rates, speak to the good health of Boston's office market as 1986 drew to a close. Vacancies for Class A office space had peaked at 9% in second quarter 1985, following the extraordinary volume of office building in 1984, but diminished smartly to 7% in second quarter 1986, and 6% in third quarter as demand for office space continued unabated, while the net new supply of Class A space slackened. As of end of year 1986, the vacancy rate in the Back Bay and the Financial District office market (27 million square feet, principally Class A) was 5.2% in comparison with the 1985 end of year rate of 7.8%. The net absorption of over 2 million square feet, in 1986, has already broken the record two million square feet occupied in 1984.

Boston's office market will ease moderately in 1987 and 1988 as 5 million square feet of Class A office space are completed. Vacancies may rise to 9%, at year-end 1987, and 11% at year-end 1988 (with projected moderate levels of demand and absorption at 1.8 million square feet each year). Thereafter, however, with few additions to supply, vacancies will recede to 6% by year-end 1989, creating a window of opportunity.

The Boston experience contrasts with that of the suburban ring (where vacancies have risen to 15% in Fall 1986), and with that of the Nation's larger cities and metro areas (where vacancy rates have increased to 14% and 18%, respectively).





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The actual (1985 and 1986) and projected (1987-1990) Class A vacancy rates here presented represent the findings of a new monitoring program established in conjunction with the preparation of an inventory of Boston's office space, conducted in 1986 as prelude to a survey of the office economy. Boston's 26 million square feet of Class A office space in 92 buildings, as of mid-1986, makes up 60% of the city's total office inventory in 374 buildings (41 million square feet as of mid-1986). Class A space (made up of buildings constructed since 1960 or renovated to new condition), is expanding more rapidly than the total office inventory, drawing on both new construction and the renovation of older space (having reduced, thereby, the share of the older non-Class A inventory from 60% in 1978, to 40% in 1986). Information on the construction schedule of approved projects through 1990 indicates the addition of 6.4 million square feet of Class A space in 23 buildings, in the interim, and the expansion of the Class A inventory to 33 million square feet, representing an annual growth rate of 5.7% over the four year period.

The Financial District embraces the principal office market in Boston, with 75% of the Class A total, and will sustain its dominance over the next four years and beyond, spreading to the Fort Point Channel area in the 1990's. The Back Bay market, with 21% of the total, has the lowest vacancy rate, however. The Financial District office market is broad-based with concentrations of expanding firms in law, accounting, engineering, architecture, money management, business information, and communications, and a solid footing in the more stable large banking organizations. Judging by the known pipeline of supply, 1987-1990, the Financial District will add 4.5 million square feet (70% of the city-wide Class A increment), including 3.8 million square feet of Tower space.

The Back Bay office market, in comparison with that of the Financial District, is expanding more rapidly, has a lower vacancy rate, and will extend its reach to envelope Parcel 18, soon after the relocated Orange Line begins running in Spring 1987. The Back Bay Office economy is smaller than that of the Financial District (though larger in insurance companies), with specialization in advertising and other business and professional services. Though the Back Bay Office inventory supply is scheduled to grow by 1.4 million square feet, from 1987 through 1990, only 750,000 square feet of Class A space is scheduled for completion in 1988 and the first quarter of 1989, and vacant space will dwindle.

Boston's expanding roster of office brokerage firms issue regular survey reports which vary in coverage, format, and timing. Their recent findings, nevertheless, have a common thread: Boston vacancies are declining, absorption is high, and demand is strong.

